

Message Text

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E.O. 11652: N/A

TAGS: EAGR, ETRD, EEC

SUBJECT: MIXING REGULATION ON NON-FAT DRY MILK

REF: (A) 75 EC BRUSSELS 11290, (B) STATE 11677,
(C) EC BRUSSELS 476

1. BEGIN SUMMARY: THOUGH THE EC COUNCIL DISCUSSION OF THE NON-FAT DRY MILK COMPULSORY MIXING PROPOSAL WAS INCONCLUSIVE AND EXPOSED A NUMBER OF DIFFERENT MEMBER STATE VIEWS, THE GENERAL IMPRESSION WAS THAT THE MEMBER STATES WOULD GRUDG-INGLY ACCEPT THE PROPOSAL FOR LACK OF AN ACCEPTABLE ALTER-NATIVE. ACCORDING TO OUR SOURCES, LARDINOIS GAVE THE MINISTERS THE IMPRESSION THAT, AFTER DISCUSSIONS WITH SECRETARY BUTZ, THE US REACTION TO THE MEASURE WOULD BE MODERATE. THE MISSION RECOMMENDS THAT THE US MAKE AN APPROACH IN MEMBER STATE CAPITALS. END SUMMARY.

2. AT THE MEETING OF THE EC AGRICULTURAL COUNCIL ON JANUARY 19-20, IN THE CONTEXT OF THE GENERAL DISCUSSION OF THE 1976/77
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PRICE PROPOSALS, THERE WERE A NUMBER OF COMMENTS ON THE COM-

MISSION'S PROPOSAL FOR A COMPULSORY MIXING REGULATION ON NON-FAT DRY MILK. SOME MEMBER STATES RAISED OBJECTIONS TO THE PROPOSAL (SIMILAR TO THOSE REPORTED IN REF A). THE DANES, THE ITALIANS AND THE BELGIANS SPOKE OUT MOST STRONGLY AGAINST THE PROPOSAL. THEY TOOK THE RATHER ILLOGICAL POSITION THAT THE PROPOSAL IS ACCEPTABLE AS LONG AS IT DOES NOT RAISE FEED COSTS. COPA HAS ALSO COME OUT AGAINST THE PROPOSAL BECAUSE OF THE INCREASED FEED COST WHICH IT WILL ENTAIL. SEVERAL DELEGATIONS, IN PARTICULAR THE DANES, ARE CONCERNED THAT THE PROPOSAL WILL BE UNENFORCEABLE FOR "HOME MIXED" FEED. THEREFORE, THE LARGER OPERATORS, WHO OFTEN MIX THEIR FEEDS ON THE FARM, MAY ESCAPE THE ADDED COST BURDEN. THE BRITISH HAVE ALSO EXPRESSED CONCERN ABOUT THE HIKE IN FEED COST THE PROPOSAL WOULD ENGENDER AND HAVE DECLARED THAT THEY WOULD INSTEAD FAVOR AN INCREASE IN THE SUBSIDIES FOR THE FEEDING OF NFDM.

3. THE "GATTABILITY" OF THE MIXING REQUIREMENTS WAS BRIEFLY DISCUSSED AND IT WAS ACKNOWLEDGED THAT THERE WOULD BE GATT DIFFICULTIES IF THE PROPOSAL WERE ADOPTED AND THAT THE EC MIGHT HAVE TO PAY. DESPITE THE VARIOUS MEMBER STATES' OBJECTIONS, THE GENERAL FEELING WAS THAT THE MEMBER STATES WOULD GRUDGINGLY ACCEPT THE COMMISSION'S PROPOSAL. IN SUMMING UP THE MEETING, LARDINOIS REPORTEDLY SAID THAT THERE WAS A SORT OF CONSENSUS IN THAT NO ONE ADVANCED ANY ALTERNATIVE SOLUTION OF THE NFDM PROBLEM.

4. LARDINOIS MENTIONED THE POSSIBILITY OF A TAX OR DEPOSIT ON VEGETABLE OIL CAKE WHICH WOULD BE RELEASED UPON INCORPORATION OF A CERTAIN AMOUNT OF NFDM IN ANIMAL FEEDS. MOST MEMBER STATES INTERPRETED THIS AS AN "ALTERNATIVE" TO THE MIXING REGULATION RATHER THAN A MEANS OF ENFORCING THE MIXING REGULATION. LARDINOIS APPARENTLY DIDN'T DISCUSS THIS POSSIBILITY IN DETAIL. IT WAS ADVANCED LATE IN THE MEETING AND WAS APPARENTLY NOT DISCUSSED BY THE MEMBER STATES.

5. LARDINOIS REPORTED IN A RESTRICTED SESSION THAT THE PROPOSED MIXING REGULATION HAD BEEN DISCUSSED AT HIS JANUARY 6-9 MEETING WITH SECRETARY BUTZ. (WE UNDERSTAND THAT WIJNMAALEN HAD ALSO GIVEN A BRIEFING ON THE BUTZ" LARDINOIS MEETING LIMITED OFFICIAL USE

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ING TO THE MEMBER STATES' WASHINGTON REPRESENTATIVES.) LARDINOIS SAID SECRETARY BUTZ INDICATED THE US HAD SERIOUS POLICY AND LEGAL DIFFICULTIES WITH THE PROPOSAL BUT HE RECOGNIZED THAT THE HAD NO ALTERNATIVE. DESPITE HIS RECOGNITION OF EC PROBLEMS, SECRETARY BUTZ SAID THE US HAD GATT OBJECTIONS TO THE MEASURE, BUT LARDINOIS TOLD THE COUNCIL THAT HE THOUGHT SECRETARY WOULD TRY TO MODERATE US REACTION. LARDINOIS GAVE THE MISSION HIS UNDERSTANDING THAT SECRETARY BUTZ'

WILLINGNESS TO DO THIS WOULD DEPEND UPON THREE CONDITIONS:

(A) THE MEASURE WOULD BE A "ONCE-FOR-ALL" ACTION, I.E., NOT REPEATED OR EXTENDED; (B) ANY DEPOSIT SCHEME TO ENFORCE THE COMPULSORY MIXING REGULATION WOULD APPLY TO DOMESTICALLY-PRODUCED AS WELL AS IMPORTED PROTEIN; AND (C) AN EQUIVALENT AMOUNT OF SOYBEAN PRODUCTS WOULD BE STOCKPILED AS A RESULT OF INCENTIVES OFFERED TO FEED COMPOUNDERS, THUS MAINTAINING NORMAL IMPORTS DURING THE PERIOD OF VALIDITY OF THE COMPULSORY MIXING REGULATION. (THERE IS A JANUARY 21 REPORT IN THE AMSTERDAM HET FINANCIER DAGBLAD OF A PRESS CONFERENCE GIVEN BY LARDINOIS AT THE AMSTERDAM AGRICULTURAL SHOW WHICH ALSO GIVES LARDINOIS' VIEW THAT HE HAS CONVINCED SECRETARY BUTZ THAT THE EC HAS NO ALTERNATIVE TO THE MIXING REGULATION.

6. PRIOR TO THE AGRICULTURAL COUNCIL MEETING, WE HAD CONVEYED THE POINTS IN REF B TO WIJNMAALEN. WE MADE THE SAME POINTS TO HANNAY, SOAMES' CHEF DE CABINET, AND TO OFFICIALS IN THE COMMISSION'S DIRECTORATE FOR EXTERNAL RELATIONS. WIJNMAALEN WAS RELATIVELY UNSYMPATHETIC AND REFERRED TO THE LARDINOIS/BUTZ DISCUSSIONS AT CAMP DAVID. HANNAY SAID THAT, ALTHOUGH THE COMMISSION HAS NOT YET APPROVED ANY FURTHER PROPOSALS FOR ENFORCEMENT, IT DID NOT INTEND TO WITHDRAW ITS ORIGINAL PROPOSAL FOR A COMPULSORY MIXING REGULATION.

7. RECOMMENDATION: THE ISSUE NOW SEEMS TO BE RIPE FOR RENEWED REPRESENTATIONS IN CAPITALS. REGARDLESS OF THE TECHNIQUE FINALLY ADOPTED, IT IS CLEAR THAT THE COMPULSORY MIXING PRINCIPLE WILL LEAD TO EC FEED PRODUCERS INCORPORATING NON-FAT DRY MILK INTO FEED COMPONENTS IN PLACE OF THEIR NORMAL SOURCE OF PROTEIN (LARGELY US SOY MEAL). WE RECOMMEND THE APPROACH SHOULD STRESS THAT THE BURDEN OF DISPOSING OF THE SURPLUS SHOULD BE BORNE BY THE EC, WHOSE POLICIES WERE RESPONSIBLE FOR CREATING IT, AND NOT BE TRANSFERRED TO OTHER LIMITED OFFICIAL USE

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COUNTRIES. IN THIS REGARD, WE BELIEVE IT APPROPRIATE TO INCLUDE ALTERNATIVE SUGGESTIONS (EG., INCREASED FOOD AID SHIPMENTS OR OTHER INTERNATIONALLY ACCEPTABLE SURPLUS DISPOSAL METHODS).GREENWALD

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